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MEMORANDUM

India's Postwar Foreign Policy

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5 April 1972

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

5 April 1972

MEMORANDUM

SUBJECT: India's Postwar Foreign Policy*

1. In recent months Prime Minister Indira Gandhi has scored two stunning victories: the decisive defeat of Pakistani forces on the battlefield in December and the rout of her domestic opposition in state elections in March. Less publicized has been her ruthlessly effective assumption of control over her party and her replacement of veteran members with people responsive to herself. The result of all this is that Mrs. Gandhi enjoys a position of power within India probably surpassing that of her father at his strongest, and she and her regime now stand unrivaled as a power on the subcontinent. The question addressed below is how she -- and the Indian government she so completely dominates -- will use this position on the continent and in the international arena.

* *This memorandum was prepared by the Office of National Estimates and discussed with other components of the CIA, who are in general agreement with its judgment.*

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2. International affairs will not, of course, form the principal concern of the Indian leadership. Mrs. Gandhi is committed, as no Indian government has ever been, to an extensive -- and expensive -- program of social welfare and equity reform measures at home. This program is both a cause and a condition of her formidable political successes. This endeavor was delayed by the war and the events that preceded it. But now pressures at home are rising and we believe that the fundamental issues of feeding the population and promoting a better life for the mass of Indians will for some time be the government's primary concern.

3. Nonetheless, Mrs. Gandhi and her colleagues have international aspirations which they feel have been brought within reach by their triumph over Pakistan. The Indian leaders clearly are seeking to use their new strength to settle the conflict with Pakistan in a way that will remove serious challenge from this quarter and get Islamabad to accept Indian-occupied Kashmir as part of India. Mrs. Gandhi no doubt expects that, with Pakistan cut down to size on the battlefield, the other smaller states of the subcontinent will recognize India's paramount position; the Indians are particularly determined that the new state of Bangladesh lie in their orbit. At the same time, Mrs. Gandhi evidently

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aspires to turn her domestic and regional successes into a stronger position in dealing with the Great Powers. In short, what we can see thus far suggests that New Delhi is embarking on a more confident and somewhat more assertive foreign policy.

4. Despite India's strengthened international position, New Delhi still faces significant constraints. While India today seems to have achieved self-sufficiency in food production, it remains a poor country with serious inadequacies in its resource base. Indian foreign policy will also be affected by the actions of the USSR, China, the US, and other important powers. But even in the region of the subcontinent where it is now clearly the predominant state, India will run into pitfalls and difficulties in exerting influence. This paper assesses the nature of the problems New Delhi faces in carrying out its foreign policy.

I. RELATIONS WITH NEIGHBORING STATES

5. For India, the first order of business is to clear up issues arising out of the war: principally to cement ties with Bangladesh and to redefine relations with residual Pakistan. These are not easy matters. They will be hammered out only gradually and no doubt painfully over the next few years.

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6. *Bangladesh.* The Indian role in the creation of Bangladesh was intimate and intense. India dominated not only the military phase of establishing the new state, but has supplied much administrative and diplomatic support as well. Since the Pakistani surrender, however, India has moved rapidly to reduce its physical presence. New Delhi has withdrawn almost all of its military personnel, leaving only a few engineers, a training mission, and a small force recently returned to combat Indian tribal dissidents in southeastern Bangladesh. At the same time, the Indians are reducing their role in the overall support of the Bangladesh administration, leaving the latter to establish its own control over the country. Though considerable potential for lawlessness and disorder remains, the Bengalis seem to have sufficient administrative personnel to be able to carry out the functions of government at a reasonable level.

7. But in important respects the Indian government clearly does not intend to disengage from Bangladesh. New Delhi is concerned lest the regime of Mujibur Rahman fail, opening the way for anarchy and chaos which might spread to West Bengal. And the Indian leaders also do not want to see -- and indeed would react strongly against -- efforts by any outside power to establish a

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commanding influence in the new state. These considerations are reflected in the 25-year Treaty of Friendship and Cooperation just concluded between India and Bangladesh which specifies consultation and coordination of major policies between the two governments.

8. Even with this agreement, it will be difficult to maintain the great warmth that has thus far characterized relations between New Delhi and Dacca. For the present, Mujib's regime is content to look to Mrs. Gandhi for advice and assistance of all sorts. Yet as time goes on, it would be surprising if Dacca did not begin to desire more independence, especially as Bangladesh becomes more deeply involved in international affairs on its own. Disagreements over the size and shape of economic assistance may also arise between these two states. But even with all the foreseeable strains, there is almost no chance that any other power could displace Indian domination over Bangladesh. Despite religious differences, India's close transportation links and growing economic ties, not to mention cultural and psychological bonds, give it a decisive edge in Bangladesh.

9. The worse the Bangladesh government does in coping with its problems, the more Indian help will be required. Mujib's regime is in parlous economic straits. Even though the Indians

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have made progress in reopening the major routes of communication, the transportation net is not back to its prewar state. Food supply was hurt by the small harvest, which in turn reflected wartime disruptions; transportation bottlenecks further impede the distribution of relief shipments. Severe food shortages are likely to continue in some areas for some time to come. East Bengal's miniscule industrial capacity is still operating well below prewar levels and unemployment is high. Nor has Mujib's government displayed notable ingenuity in tackling these formidable difficulties. Yet, Bangladesh does not appear on the verge of collapse; with a population used to great privations, its afflictions, while very serious and debilitating, are not necessarily fatal to the present regime.

10. Up to now, the Indians have supplied the bulk of the foreign economic assistance to Bangladesh. The Indian government has authorized loans and grants worth about \$175 million for Bangladesh, including foodgrains and other essential commodities, cash grants for returning refugees, and a loan of about \$13 million in hard currency to finance imports. This has met short-run needs. And the new Indian budget for 1972-1973 provides for an additional \$90 million in economic aid for Bangladesh. But, facing pressures at home to move ahead with

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domestic programs delayed by the war, New Delhi is apt to find a high level of aid increasingly burdensome. For its part, Mujib's regime will no doubt press Mrs. Gandhi for increased aid, but with a minimum of Indian control.

11. If the Bangladesh regime were to descend into chaos or if radicals were to threaten to export violence to Indian Bengal, New Delhi would react swiftly and forcefully. Mrs. Gandhi would be likely to press the Bangladesh government strongly to curb violence and she would probably step up assistance to the recently formed security forces in Bangladesh. And if such measures did not suffice to bring reasonable order and prevent terrorist operations into India, Mrs. Gandhi -- probably with Dacca's concurrence -- would undertake military intervention on a scale deemed suitable to suppress the insurgency or restore order. She would recognize, however, that if such operations became prolonged or widespread, they could have serious international drawbacks as well as an unfavorable economic impact on India.

12. *Pakistan.* While for tactical reasons New Delhi is offering Islamabad negotiations without formally posed "pre-conditions", Mrs. Gandhi clearly wants to exploit Pakistan's crushing defeat to resolve problems far beyond those directly

SECRET

connected with the fighting. The Indian government believes that the some 70,000 Pakistani prisoners of war and the 20,000 civilians it holds in India provide leverage to compel Bhutto to come to the bargaining table soon. With this trump in hand, the Indians aim to secure Pakistani agreement on a Western frontier. New Delhi even hopes to be able to force active negotiations of the status of Kashmir, a matter that has festered in Indo-Pakistani relations since partition in 1947. Mrs. Gandhi's government further hopes to impress on Pakistan the extent of India's military supremacy with the aim of getting Islamabad to refrain from resuming the arms race. While during the fighting some in New Delhi probably wished to see West Pakistan broken into its constituent ethnic elements, Mrs. Gandhi did not embrace this policy. The Indian government does not appear to be seeking to foster the emergence of such a congeries of states which could form a dangerous precedent for ethnic minorities in India.

13. The Indian leaders are, however, plagued by doubts both about Bhutto's intentions and his ability to conclude a broad and "lasting" settlement. On the one hand, Mrs. Gandhi's government finds it hard to ignore Bhutto's long-standing urging of a policy of confrontation against India and his continuing talk of swiftly rearming Pakistan. On the other hand, the Indians

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are encouraged by his evident realism and his expressed desire to solve differences with India. And New Delhi clearly regards Bhutto as easier to deal with than his military predecessors. At the same time, the Indians are uncertain about Bhutto's ability to maintain his position, fearing that he may be manipulated or even shouldered aside by a military clique. Even his moves to change the chiefs of the army and air force early in March and the boost to his fortunes brought about by coming to terms with the National Awami Party, which represents the aspirations of northwest Pakistan, have not reassured New Delhi about Bhutto's ability to last.*

14. Apprehensions about Bhutto's staying power have not inclined Mrs. Gandhi to ease demands on Islamabad. India continues to insist that representatives of Bangladesh be involved in questions affecting the return of prisoners captured in the east. This touches Bhutto on a most sensitive nerve, especially in view of Mujib's insistence that no talks with Pakistan can take place until Islamabad has recognized Bangladesh. Nor are the Indians likely to be responsive to demarches -- from Pakistan or

* *Short-Term Problems and Prospects of Pakistan will be the subject of NIE 32-72, scheduled for early completion.*

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Western powers -- to return the prisoners without delay. In fact, New Delhi seems determined to hold large numbers of Pakistanis by way of keeping up pressure for a favorable settlement, perhaps even until the negotiating process is over.

15. The urgency of the prisoner issue is underscored by New Delhi's declaration that it will turn over to Bangladesh for trial as war criminals perhaps as many as 2,000 Pakistani military personnel -- including the former commander of the Pakistani forces in East Bengal, General Niazi. Mujib's government has demanded General Niazi's surrender for trial. If New Delhi should deliver him to the Bangladesh authorities, this act would inflame Islamabad and probably would delay peace talks for some time.

16. *Prospects for Negotiations.* Though major hurdles remain, both India and Pakistan at present are edging toward negotiations. India's withdrawal of almost all of its military forces from Bangladesh met one of Bhutto's stated requirements for entering talks. India's public offers of negotiations without "preconditions" ease the way for the Pakistanis -- although Islamabad fears that the Indians in fact will insist on onerous terms. Bhutto recognizes his military weakness and the need to

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secure the return of prisoners. And in this situation, diplomatic feelers already give promise of bringing the parties to the bargaining table, perhaps initially for low-level talks.

17. Even if negotiations begin soon, the road to a settlement will no doubt be long and arduous. Mrs. Gandhi's self-confidence will probably not incline her to magnanimity. Holding all the high cards, she is not likely to settle for less than a substantial share of her desires. But Bhutto, however much he may be inclined to recognize the reality of Bangladesh and to exchange prisoners, almost certainly believes he needs time to prepare Pakistan for the deep emotional trauma which surrender on Kashmir would entail. There are signs that Bhutto is beginning to move along this path. Yet there are still formidable obstacles to be overcome before any accord between India and Pakistan would be possible.

18. *The Peripheral States.* To the Indian leaders, the smaller states on the periphery of the subcontinent are not now a focus of attention. But New Delhi clearly regards them as a special preserve and is sensitive to Great Power actions in any of India's immediate neighbors. India has always bulked large in the calculations of these countries, and the Indians have not

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been reluctant to apply pressure on them in the past. Particularly with Indian self-confidence at a peak, New Delhi's expectations that these states refrain from opposing Indian interests is apt to produce increasing friction in relations with them.

19. Ceylon is a major case in point. New Delhi generally approves of the non-aligned posture maintained by successive governments in Colombo; and the main difference between the two states was settled in principle by the agreement in 1964 to repatriate just over half the large Tamil community on the island over a 15-year period. But the image of a victorious India, backed by the Soviets and flexing its muscles, has triggered concern among Ceylonese leaders. Though Mrs. Gandhi's government has not made any threatening gestures -- and indeed was quick to send support to Mrs. Bandaranaike's regime during the insurrection on Ceylon last spring -- Colombo has clearly become fearful that India has designs on Ceylon. In response, the Ceylonese government has made urgent efforts to woo the US, inviting frequent visits by US naval vessels, including the carrier *Enterprise*. And generally Mrs. Bandaranaike has given clear indication of her suspicion of the USSR and of India, and that she wants at least some public demonstration of US support.

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20. Up to now, the Indians have been too preoccupied with the larger and more immediate concerns of Pakistan and Bangladesh to react to this shift in the Ceylonese practice of non-alignment. But over the longer run, the Indian posture may change. If the Colombo regime continues to give the appearance of tilting toward the US, New Delhi would be likely to react in some fashion, using tactics ranging from propaganda denunciations to more drastic steps. This would certainly increase the alarm felt by the Ceylonese leaders and, even if they fell in line, would add a discordant note in relations between the countries.*

21. Mrs. Gandhi's government has sought to enlist the support of the Afghan regime to make trouble in Pakistan before and after the war. New Delhi regards Afghan leverage on the Pushtoon minority in Pakistan as a useful weapon to keep Islamabad off balance. But the Afghans are wary of serving as a cat's-paw for India in this regard. Though Kabul has in the past played on this issue for its own purposes, it now appears concerned lest a further Pakistani split into its ethnic parts upset domestic politics in Afghanistan. There is not much that the Indians can do effectively to press the Afghans on this sensitive issue, but

* See SNIE 33-72: "Trends in Ceylon", *SECRET*, dated 9 March 1972.

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a high-handed approach would raise apprehensions about Indian power and trouble the generally good relations between these two countries.

22. As for Nepal, New Delhi has always been suspicious of Nepali efforts to reinforce independence by developing ties with Communist China, seeking other external support, and suppressing the pro-Indian Nepal Congress Party. The recent accession of the youthful King Birendra could present Mrs. Gandhi with an opportunity to increase Indian influence and to overcome the suspicion of India that emanated from the previous King. Further, the signing in 1971 of a new Indo-Nepali trade treaty removed a major source of friction between the two countries. But if New Delhi attempts to press Birendra into any major alteration of Nepal's long-standing policy of seeking foreign counterweights to India, relations could quickly deteriorate and return to the coolness of the past.

23. *The Indian Ocean.* India's weight is also likely to be felt more forcefully in the Indian Ocean. On the one hand, New Delhi will continue to decry the presence of Great Power naval vessels in the Indian Ocean. The Indian government has consistently

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opposed the granting of bases in the Indian Ocean to ships of powers outside the region. At Mrs. Gandhi's initiative, Bangladesh endorsed this principle in the recent joint communique at the conclusion of Mrs. Gandhi's visit. On the other hand, the Indians are continuing to build up their own naval strength, which already far outclasses that of the other states of the region. Mrs. Gandhi's government probably views possession of this force as useful in regional controversies. And it would not be surprising if naval maneuvers figured increasingly in the Indian style of dealing with smaller nearby littoral states.

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II. INDIA AND THE GREAT POWERS

24. The war and its aftermath have stimulated a change in Indian attitudes toward the Great Powers. Mrs. Gandhi has long chafed under India's dependence on the developed countries of the world. She has always been sensitive about foreign economic pressure. Even when aid is extended through such mechanisms as the Consortium for Aid to India, the need to justify requests to foreigners has never been easy on Indian pride. In contrast to Pakistan, which accepted foreign advice as an integral part of its economic development effort, India's successive governments have regarded foreign economic assistance as basically onerous in its obligations even though at times vital in its contributions.

25. Mrs. Gandhi's reading of the behavior of the Great Powers during the war with Pakistan has reinforced her inclination to seek greater independence. While New Delhi is appreciative that Moscow strongly supported India before and during the conflict, the Indians are suspicious of all Great Powers. In the last year it has been American and Communist Chinese actions that New Delhi found particularly objectionable. Peking made verbal attacks on India during this period, though the Chinese did not take any effective action to support these words. Mrs. Gandhi regarded the dispatch of American naval units to the Indian Ocean as a hostile

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gesture. She complained in strong language against Washington's military supply policies toward Pakistan and the Nixon administration's refusal to break with the government in Islamabad; New Delhi also strongly condemned Washington for placing the blame on India for initiating the hostilities of last December.

26. Though Mrs. Gandhi has talked frequently during the recent Indian election campaign about the determination to free her country from the need for foreign aid, there are limits on how far she can go. India does have considerable production capacity to manufacture weapons up to and including tanks and combat aircraft. Yet unquestionably the Indians will be dependent on foreign supply for sophisticated military equipment for the foreseeable future. The Soviets have in the past proved a generally reliable source of these items and on reasonable terms. They have licensed assembly plants in India to produce MIG-21 fighters. And the Indians have no practical alternative to continuing these arrangements.

27. In stressing India's self-reliance, Mrs. Gandhi was speaking principally about dispensing with foreign economic assistance. While Western sources have made available some \$16.5 billion in the past 25 years, the amount of aid authorizations to India has dropped from about \$1.6 billion in

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1965 to about \$600 million in 1971. Almost a third of the decline resulted from the halt in food aid. Already India is burdened with the need for substantial repayments for earlier borrowings; in the past year some \$500 million was paid to Western creditors, bringing net aid inflow from the West down to about \$450 million. Thus the contribution of foreign assistance to India's development is decreasing. While foreign aid is still important, especially in providing foreign exchange components of industrial projects, it has dropped sharply in its relative contribution to the Indian economy.

28. Although India does not need foreign aid as much as in the past, it still cannot afford to go it alone while repaying its outstanding indebtedness. Hence it seems likely that Mrs. Gandhi's campaign rhetoric did not signal any early Indian refusal to accept foreign aid. New Delhi may be somewhat more hardheaded in negotiating terms of assistance, but it probably recognizes the need to continue foreign aid, particularly when the government is committed to rapid economic development -- as Mrs. Gandhi's is.

29. There is, of course, the possibility that Mrs. Gandhi's government might seek relief from some of its foreign debt burden. No doubt, New Delhi carefully noted the experience of

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Islamabad in defaulting on its international repayment obligations over the past year. The Indians will certainly watch with even greater interest Bhutto's negotiations with his creditors over the question of apportioning debt between Pakistan and Bangladesh. If this process plus debt rescheduling should relieve Bhutto's regime of responsibility for a substantial percentage of its indebtedness, the pressures from New Delhi for a lightening of the obligations on India would grow. And it is possible that Mrs. Gandhi's regime would attempt a moratorium on interest and debt repayments or even in effect default on all or part of India's foreign debt as Pakistan has done.

30. *The USSR.* Indian relations with the USSR will continue to be close. Mrs. Gandhi looks on Moscow as by far her most valuable foreign ally. From the Indian point of view, the USSR remains, at a minimum, an indispensable source of support against the potential threat from China, as well as an actively helpful friend in other respects. In this situation, Mrs. Gandhi is happy to cooperate with the Kremlin where they share common interests. Even when the Indians do not see potential benefit for themselves, they are likely to go along with Moscow in actions as long as India's vital interests are not involved. For their part the Soviets believe that their material and diplomatic

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support for India entitles them to a considerable degree of Indian endorsement for Soviet objectives.

31. This does not mean, however, that New Delhi will accede to every demand from the Soviets. Mrs. Gandhi has bent India's historic non-alignment policy by concluding a Treaty of Friendship and Cooperation, but it would be something of a different order for her to grant unrestricted access to port and servicing facilities for Soviet Indian Ocean naval units. The Indians have resisted the idea of giving any such free hand even to the Soviets. Mrs. Gandhi recently reiterated this position in a joint communique with Mujib which expressed opposition to foreign powers using naval facilities in the region. We cannot entirely rule out the possibility, but we think that New Delhi would have to feel itself in serious trouble as well as under very strong pressure from Moscow to agree. If India ever should grant such rights, it would no doubt predicate acceptance on Soviet agreement that use of facilities be unobtrusive and avoid the appurtenances of formal bases.

32. Close as Indian and Soviet relations are likely to remain, New Delhi probably does not consider that it has a complete congruence of interest with Moscow. Mrs. Gandhi no

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doubt feels concern at the Kremlin's dealings with Islamabad. Bhutto's trip to Moscow to mend fences was perhaps more successful than New Delhi expected. Indeed, Mrs. Gandhi may regard Soviet mention in the communique at the time of Bhutto's recent visit to Moscow of the need to respect Pakistan's territorial integrity as strengthening Bhutto's position. Additionally, New Delhi may be nervous over the prospects for President Nixon's trip to Moscow. The Indians are likely to seek reassurance from the Soviets that Indian interests will not be jeopardized during these talks.

33. Bangladesh may become a source of trouble between India and the USSR. Already the Soviets have welcomed Mujib in Moscow and are moving fast to improve their position with Dacca. They have promised Mujib over \$50 million in aid and seem interested in being his closest supporter outside the subcontinent. We doubt that the USSR intends a major effort to build a position of influence in Bangladesh irrespective of India, but on the other hand it is probably not prepared to take a back seat to India in all respects. Hence the potential for mutual irritation is there. And the eagerness of relatively inexperienced leaders in Bangladesh for Soviet aid only increases the possibilities for miscalculation. In

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this situation, it would not be surprising if intimacy between the USSR and Bangladesh eventually grew to bother Mrs. Gandhi. This may not become a major bone of contention in the near future, but will probably be at least an occasional irritant between both parties.

34. *China.* The Indo-Pakistani war revived New Delhi's fears of China and its deep suspicions that Peking is bent on limiting Indian power in the subcontinent. Particularly since the humiliating Indian defeat by the Chinese in 1962, Indian leaders have sometimes exaggerated the potential for Chinese military operations against India. In fact, logistical difficulties alone would prevent Peking from marshaling sufficient forces to seize and hold substantial areas of India against present defenses. Nor have the Chinese made efforts to concentrate forces for a thrust into India. Nonetheless, though the vulnerability of northeast India has been somewhat lessened by the emergence of friendly Bangladesh, New Delhi continues to be concerned at the possibility of attack by the Chinese.

35. The Indians regard Peking's ongoing support for Pakistan as evidence of China's hostile intent. Further, New Delhi is afraid that Peking is colluding with Washington against Indian interests. Indian leaders regard the US-Chinese detente

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as ominous. Mrs. Gandhi publicly criticized the communique issued at the end of President Nixon's trip to Peking as an attack against India. Finally, New Delhi must be apprehensive that China will fish in the troubled waters of Bangladesh -- much as the Chinese have in eastern India.

36. Despite, or perhaps because of, this deep suspicion of China, New Delhi would probably welcome some improvement in relations with Peking. Mrs. Gandhi would like to draw China and Pakistan apart. Hence she has been careful not to single China out for particular opprobrium. But as long as Peking maintains its intimate connections with Islamabad, continues to supply arms, and refuses to mitigate its hostility toward India, Mrs. Gandhi will be likely to see nefarious intent in any sign of increased Chinese activity in the subcontinent, particularly support for indigenous political groups.

37. *The United States.* The events surrounding the war brought relations between India and the US to a low point. Intensely suspicious of the warmth of American relations with Pakistan, Indian leaders concluded that the aid suspension imposed by the US before the fighting erupted was applied more rigorously against India than against Pakistan. Further, Indian leaders regard the appearance of the US 7th Fleet in

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the Bay of Bengal as a demonstration of solidarity with Pakistan if not an aborted attempt to intervene militarily against India. This suspicion was only inflamed by the publication of US secret documents by Jack Anderson.

38. These grievances against the US are widely felt at all levels of Indian society. Mrs. Gandhi and her colleagues whipped up public opinion against the US. Few voices in India have been raised on the other side. While a residue of good will toward America remains in India notwithstanding, the myth of US complicity with Pakistan is now generally accepted by Indians. It will not be easy to change this widely prevalent impression.

39. The Indians do not appear inclined to take the initiative to improve relations with the US for some time to come. The American aid embargo is no doubt an irritant to New Delhi as is the delay in US recognition of Bangladesh. And in general Mrs. Gandhi thinks it is up to the US to make peace and not the other way around. In this situation, the Indian government will probably continue to make irritating gestures, such as the recent restrictions on the use of the ambassador's plane. Moreover, New Delhi would for some time probably not be very responsive to American

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overtures to improve relations. Even an end to the US aid embargo and the recognition of Bangladesh would be likely to have little effect on Indian attitudes. Mrs. Gandhi, however, does not want to destroy ties to the US completely. She still has hopes that American policy toward the sub-continent will one day shift openly in India's favor. Moreover, the Indian elections are over and there is no imperative reason for New Delhi to lash out at the US. Hence, Mrs. Gandhi's approach is likely to be one of watching and waiting rather than one of seeking further excuses to belabor Washington.

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